

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6729

BILL NUMBER: SB 308

DATE PREPARED: Jan 2, 2002

BILL AMENDED:

SUBJECT: State Police Pension COLA.

FISCAL ANALYST: James Sperlik

PHONE NUMBER: 232-9866

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides for a 1% cost of living adjustment (COLA) for retirees of the State Police 1987 Benefit System. It provides for a COLA equal to the greater of: (1) the supplemental benefit; or (2) 1% of the retiree's monthly pension benefit; for retirees of the State Police Pre-1987 Benefit System. It revises the calculation of the supplemental benefit paid to retirees of the State Police Pre-1987 Benefit System.

Effective Date: July 1, 2002.

Explanation of State Expenditures: *Fiscal Impact:* It has been assumed that the proposed changes would result in an increase only in the supplemental benefits. These benefits are paid on a "pay-as-you-go" basis. The increase in unfunded actuarial liabilities would be \$4,725,000.

The following table provides an estimate of the increase in supplemental benefits payable over the next five years. However, the benefits would continue beyond five years.

<u>Plan Year</u>	<u>Change in Expected Benefit Payouts</u>
2002-2003	\$177,700
2003-2004	\$211,700
2004-2005	\$255,800
2005-2006	\$314,500
2006-2007	\$387,800

The funds affected are the State General Fund (50%) and the Motor Vehicle Highway Account (50%), both of which equally support the State Police Benefit System.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for the State Police, 576-1508.

DEFINITIONS:

Cost of Living Adjustment: An across-the-board increase (or decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Pay-As-You-Go Method: Sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.